

TAB 24

2.5.3.2.4 State Income Tax Claims

Certain state income tax Claims relating to past tax years may involve significant amounts. However, Grace believes that these Claims can and should be resolved for significantly less than the amounts claimed. Although state income tax proofs of claim have been filed against Grace in the amount of approximately \$57 million, Grace estimates that it will have to pay out approximately \$10 million with respect to these Claims. Grace also estimates that it will be required to pay out additional state taxes and interest to reflect the state impact of IRS federal audit adjustments. The Debtors estimate such liability at approximately \$37 million through the Petition Date. To the extent the state tax obligations are sustained, however, and they result in Fresenius Indemnified Taxes, the Fresenius Indemnified Taxes are obligations that the Debtors are obligated under the Fresenius Settlement Agreement promptly to pay in full in cash when due and payable.